

Message Text

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50

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 FS-01 OPR-02

ABF-01 CEA-01 /093 W

----- 098161

R 061255Z AUG 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 782

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O.11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 5668

1. THE CENTRAL BANK ANNOUNCED, EFFECTIVE AUGUST 5, THE EIGHTH DEVALUATION OF THE CRUZEIRO OF THE YEAR. WITH THE LATEST 1.918 PERCENT DROP, THE CUMULATIVE DEPRECIATION FOR 1975 REACHED 11.359 PERCENT. NEW RATES ARE CR\$8.235 PER US DOLLAR FOR BUY AND CR\$8.285 PER US DOLLAR FOR SELL.

2. COMMENT: THE LATEST CHANGE IN THE RATE IS THE LARGEST ONE-TIME MOVE SINCE AUGUST 1974. ACCORDING TO PRESS REPORTS, THE EXCHANGE MARKET, FOLLOWING THE RECENTLY-INTRODUCED PRIOR IMPORT DEPOSIT SCHEME WHICH HAD THE EFFECT OF INCREASING THE EFFECTIVE CRUZEIRO COST OF IMPORTS, WAS EXPECTING A SOMEWHAT SMALLER DEVALUATION

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OR A LONGER INTERVAL BEFORE THE NEXT DEVALUATION.

IT MAY, THEREFORE, BE IMPLIED FROM THE COMBINATION OF THESE TWO
ACTIONS I.E., IMPORT DEPOSIT SCHEME AND LARGER-THAN-
EXPECTED DEVALUATION, THAT THE AUTHORITIES ARE TRYING
TO USE THE EXCHANGE RATE MECHANISM TO CONTAIN IMPORTS
AS WELL AS TO STIMULATE EXPORTS.
CRIMMINS

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NNN

Message Attributes

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